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SENSITIVE  
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E.O. 12958: N/A  
TAGS: [ECON](#) [ETRD](#) [WTRO](#) [RP](#)  
SUBJECT: DEMARCHE REQUEST: WTO SERVICES NEGOTIATIONS

SENSITIVE BUT UNCLASSIFIED ENTIRE TEXT. PLEASE PROTECT  
ACCORDINGLY.

¶1. This is an urgent action request. See paragraph 7 below.  
(Because of time constraints, we are unable to provide  
translations.)

Summary

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¶2. The WTO Doha Round is moving into a critical stage of detailed negotiations across all elements of the single undertaking. As services is one of the three market access pillars of the Doha Round, along with Agriculture and Non-Agricultural Market Access (NAMA), we must see meaningful progress in services in order to achieve a strong Doha outcome by the end of 2008. To stress the importance of services and encourage participation in upcoming bilateral meetings and the proposed signaling conference, Post is requested to deliver the letter and background points in para. 8 and 9 to appropriate officials of the host government no later than February 27. End Summary.

Background

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¶3. The Doha Round launched by WTO Members in November 2001 is the USG's top trade priority. Services, agriculture, and industrial goods are the three core market-access negotiating groups of the Doha Round. Progress in all three groups will be essential to meet the objective of completing the negotiations by the end of 2008.

¶4. Since the launch of the Round, the United States has submitted two Doha Round services offers in 2003 and 2005 and has engaged in intensive bilateral and plurilateral negotiations. For the United States, a successful Doha package must include significant commitments from WTO members in our target sectors: financial services, telecommunications, express delivery, computer and related services, distribution, environmental, and energy services. As reported in December 2007 summaries of the plurilateral groups, few members have come forward to indicate that they will offer significant market access in services. On February 12, WTO Services Chair DeMateo released a report on the status of the negotiations indicating areas of convergence and divergence between developed and developing countries. As noted in the report, the U.S., EU, and other members are seeking both the binding of existing practice and new market access commitments.

¶5. Currently, Doha negotiations are moving towards a potential Ministerial meeting and agreement on Agriculture and NAMA modalities. Revised texts in those two groups were released on February 8, and WTO Director General Lamy has called this step the final sprint towards establishing modalities. For many countries, including the United States, there will not be agreement on Agriculture and NAMA

modalities unless there is sufficient clarity that services will achieve a comparable level of ambition. This requires two elements: 1) a multilaterally agreed Chair's text to be agreed in parallel with Agriculture and NAMA modalities, and 2) a signaling exercise among the 25-30 Members engaged in the plurilateral market access negotiations.

¶6. The next step in the process is to urge Ministers from our eleven key target markets (Argentina, Brazil, China, Egypt, India, Indonesia, Malaysia, Philippines, South Africa, Thailand, and Turkey) to send negotiating teams, including capital-based sectoral experts, to Geneva the week of March 10 to engage in a series of intensive bilateral meetings with U.S. negotiators. These meetings would be followed by senior level discussions and culminate in a signaling exercise in the form of a ministerial event, ideally chaired by Director General Lamy, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the plurilateral negotiations. The letter in para. 8 provides further details on our country-specific sectoral requests.

Action requested

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¶7. Please deliver the letter to the Minister responsible for trade, using the accompanying background points as appropriate, no later than February 27. (See para. 8 and 9) A signed copy of the letter will be sent to Post via email. Please slug responses to State EEB/TPP/MTA Carol Henninger and USTR Todd Nissen.

Text of Letter to be delivered as non-paper

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¶8. Begin Text:

H.E. Mr. Peter B. Favila  
Secretary of Trade and Industry

SIPDIS  
Department of Trade and Industry  
Makati City, Republic of the Philippines

Dear Minister Favila:

We are rapidly approaching a major decision point in the Doha Round; therefore, I wanted to stress the important role the services negotiations play in our thinking. Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the largest share of total economic output and the fastest growing component of GDP. For developing and developed countries alike, expanded trade in services promises significant opportunities for economic growth and development. In light of this economic and political reality, the Doha Round simply must achieve meaningful progress in services market access in order to receive broad support in the United States and other like-minded countries.

For this reason, the United States will not be able to agree to modalities on Agriculture and NAMA unless there is also agreement on a framework for services that gives us confidence that an equally ambitious outcome will be achieved. First, this requires that we produce a multilateral services text that contains general guidance on the level of market access we expect to achieve. We can be flexible in developing this guidance, but it is imperative that a services text proceed in parallel with the texts on Agriculture and NAMA and reflect a comparable level of ambition. The United States welcomed the statement that President Arroyo made during her meeting with Assistant to the President Dan Price in January that the Philippines supports a services text that calls on countries to "at a minimum" bind current levels of openness and then negotiate further liberalization.

Second, we also need to have assurance that your next revised offer will contain meaningful improvements in commercially

significant sectors that are the drivers of economic growth. In order to provide this assurance, we request your active participation in a signaling exercise that will take place over the next several weeks. More specifically, we request that you send a negotiating team to Geneva beginning the week of March 10, 2008, to engage in a series of intensive bilateral meetings aimed at providing greater understanding of the content of the next set of services offers. These bilateral meetings would be followed by discussions at a more senior level and culminate in a ministerial event, ideally chaired by the Director-General, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the services plurilateral market access negotiations. For purposes of the meetings beginning March 10, we request that you send experts who will have authority to negotiate market access commitments in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; computer; distribution; environmental; and energy services.

In order to help frame the discussion, we have identified below a number of key sectors in which we are looking for new commitments and a substantial reduction or elimination of limitations. Areas where we are seeking new commitments for sectors and modes of supply not currently in the Philippines' GATS offer include the following:

- Computer and related services (full sector coverage);
- Distribution (full sector coverage);
- Energy services (engineering and related scientific and technical consulting, technical testing and analysis, maintenance and repair of equipment and construction for civil engineering);
- Environmental services (full sector coverage);
- Express delivery services (including commitment on a pro-competitive market);
- Financial services (mode 1 for MAT insurance; advisory, intermediation and auxiliary services for insurance, banking and securities; for securities services for sophisticated consumer); and
- Telecommunication services (full sector coverage, full Reference Paper commitments).

Areas where we seek the reduction or elimination of significant limitations in the Philippines' GATS offer include:

- New bank branch licenses and foreign share of banking system assets;
- Economic needs test for all financial services;
- Insurance branching;
- Reinsurance mandatory cessions;
- Foreign ownership in computer and related services due to paid-in equity requirements;
- Foreign equity in environmental services; and
- Foreign equity in telecommunication services and Congressional franchise requirements.

Finally, we also would like to address ongoing concerns regarding your horizontal foreign equity limitations in insurance, banking and securities; value-added telecommunication services; express delivery; computer and related services; and energy services.

In closing, I want to be clear that this is an important stage of the negotiations, but not the final stage. All offers, of course, remain provisional, with the negotiation of services commitments continuing up to the submission of final schedules.

I trust you share our goals of achieving a successful conclusion to the Doha Round and will devote the necessary resources to this exercise.

Sincerely,

Susan C. Schwab

United States Trade Representative

End text of letter.

Background points

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19. Begin points.

- We are rapidly approaching a major decision point in the Doha Round. At this juncture, we want to highlight the importance of the services negotiations to the United States.

- Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the largest share of total economic output and the fastest-growing component of GDP.

- The Doha Round must achieve meaningful progress in services in order to deliver on the development promise of the DDA and to receive broad support in the United States, including from our Congress.

- The United States will not be able to conclude an agreement on Agriculture and Non-Agricultural Market Access (NAMA) modalities without a clear sense that services will achieve a comparable level of ambition.

- To achieve the necessary progress in services, we request your commitment to engage constructively in the ongoing services text negotiations and in a signaling exercise.

- First, we request that you send a negotiating team to Geneva for bilateral meetings with the United States beginning March 10, 2008. The delegation should have expertise in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; computer; distribution; environmental; and energy services.

- Following the bilateral meetings, we expect senior officials to hold further discussions leading to a ministerial level signaling event.

- We trust you share our goals of achieving a successful Doha Round conclusion this year and will thus devote the necessary resources to the services negotiations.

End background points.

End action requested.

10. Department appreciates post's assistance.

RICE